

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 235236

10

ORIGIN NEA-10

INFO OCT-01 ISO-00 TRSE-00 EB-04 AGR-05 ABF-01 OMB-01

AID-05 XMB-02 FBO-02 NSC-05 L-01 SS-15 SSO-00 CEA-01

CIAE-00 COME-00 FRB-01 INR-05 NSAE-00 RSC-01 OPIC-03

SP-02 CIEP-01 LAB-01 SIL-01 H-01 A-01 INRE-00 /070 R

DRAFTED BY NEA/ARN:PKBULLEN:GCB

APPROVED BY NEA:HNSAUNDERS

NEA/ARN:DAKORN

TREASURY:SCANNER (DRAFT)

EB/IFD/OIA:WWITTING (DRAFT)

AGRICULTURE:RSHEGOGUE (DRAFT)

M/FRM/FM:RWHITENER (DRAFT)

OMB:MBUTLER (DRAFT)

AID/NESA:RBROWN/LPOECHSLI (DRAFT)

EX-IMBANK:BOGDANOFF (DRAFT)

A/FBO/ANISONGER (SUBSTANCE)

NSC/AHOUGHTON (DRAFT)

EB/ORF/FFD:RSERVICE (DRAFT)

AID/FFP:JDURNAN (DRAFT)

L/NEA/SNELSON (DRAFT)

AID/GC/NESA:MKITAY (DRAFT)

L/C:THUANG (DRAFT)

AID/GC/TFHA/ARICHSTEIN (DRAFT)

AID/SER/FM/LD:KTWANMO (SUBSTANCE)

S/S-O: P.P.SARROS

P:JJSISCO

----- 116246

O P 250209Z OCT 74

FM SECSTATE WASHDC

TO AMEMBASSY DAMASCUS IMMEDIATE

AMEMBASSY BEIRUT PRIORITY

LIMITED OFFICIAL USE STATE 235236

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 235236

E.O. 11652: N/A

TAGS: EFIN, SY, US
SUBJECT: NEGOTIATING CLAIMS AGAINST SYRIA
REF: STATE 219000
BEIRUT FOR AGATT

1. COORDINATED U.S. POSITIONS ON SYRIAN DEBTS AND CLAIMS ARE DETAILED BELOW. IN VIEW OF CONGRESSIONAL CONCERNS WITH DEBT ARREARAGES AND DESIRABILITY OF MAKING EARLY PROGRESS TOWARD SETTLEMENT, YOU SHOULD SEEK SARG AGREEMENT TO OPEN NEGOTIATIONS ASAP, WITH VIEW TO MAKING AS MUCH PROGRESS AS POSSIBLE TOWARDS SETTLEMENT PRIOR TO THE SIGNING OF PROPOSED NEW PL-480 AGREEMENT.

2. DELINQUENT EX-IM BANK CREDIT GUARANTEE (BOUSTANI CLAIM): WITH ACCRUED INTEREST, THIS CLAIM TOTALS DOLS 81,807.69 AS OF SEPTEMBER 30, 1974. EMBASSY SHOULD FORMALLY REQUEST SARG TO PAY THIS AMOUNT PLUS FURTHER INTEREST TO DATE OF PAYMENT AT 6 PER CENT ANNUM ON PRINCIPAL OF \$51,015.37 ONLY. EMBASSY SHOULD GIVE SPECIAL EMPHASIS TO THIS CLAIM. SEPTEL PROVIDES EXPANDED BACKGROUND FOR USE IN PRESENTING THIS CLAIM. (FYI - ACCORDING TO USG RECORDS, THEN SYRIAN MIN ECON TOLD VISITING EX-IM BANK OFFICIAL IN DECEMBER 1971 THAT SARG WOULD PAY CLAIM SHORTLY, BUT PROMISE WAS WITHDRAWN AFTER EARLY 1972 PRESS REPORTS OF NEW U.S. ARMS ASSISTANCE TO ISRAEL. WE RECALL THAT SUBSEQUENT CONSIDERATION OF ISSUE HAS BEEN AFFECTED BY INTERNAL SYRIAN POLITICAL FACTORS,

INCLUDING REPORTED OBLIGATION BY SARG TO REFER MATTER TO LEGISLATIVE GROUP FOR DETERMINATION SUCH PAYMENT DID NOT CONTRAVENE EXISTING SYRIAN LAW - END FYI).

3. PL-480 BALANCES -
A. FIRST-GENERATION PL-480 BLOCKED BALANCE: THESE FUNDS, GENERATED BY A 1960 AGREEMENT, TOTAL SYRIAN POUNDS (LS) 20,980,000. THEY REPRESENT PART OF THE 65 PER CENT OF LOCAL CURRENCY GENERATIONS WHICH HAD ORIGINALLY BEEN DESTINED FOR LENDING FOR COUNTRY DEVELOPMENT PURPOSES, AND HAD AT ONE TIME BEEN ALLOCATED TO THE GRAIN STORAGE PROJECT. THEY WERE NEVER USED BECAUSE OF THE 1967 BREAK IN RELATIONS, AND AID SUBSEQUENTLY RETURNED THEM TO U.S. TREASURY FOR U.S. LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 235236

USES, AS IS PERMITTED UNDER TERMS OF 1960 PL-480 AGREEMENT, IF AGREEMENT ON USE OF THESE FUNDS NOT REACHED WITHIN 3 YEARS.

B. DELINQUENT SECOND-GENERATION LOCAL CURRENCY LOAN REPAYMENTS: THESE ARE UNDER AGREEMENTS BY WHICH LOCAL CURRENCIES GENERATED BY PL-480 SALES DURING 1959-62 WERE LENT TO SYRIA FOR ECONOMIC DEVELOPMENT PURPOSES. DELINQUENT IN-

TEREST AND PRINCIPAL TOTAL LS 16,926,589.95 AS OF AUGUST 31, 1974, AND AN ADDITIONAL LS 41,518,741.13 IN PRINCIPAL HAS NOT YET COME DUE (SEE REF A FOR LOAN BREAKDOWN).

C. USG NEGOTIATION POSITION ON THESE IS AS FOLLOWS: (1) WE PROPOSE THAT SARG UNBLOCK THE BLOCKED BALANCE OF LS 20,980,000, AND THAT THE USG REALLOCATE THESE FUNDS FOR LENDING TO SARG FOR SYRIAN DEVELOPMENT PROJECTS AS MAY BE JOINTLY AGREED UPON BY USG AND SARG; (2) WE PROPOSE THAT SARG AGREE TO PAY DELINQUENT SECOND-GENERATION INTEREST AND PRINCIPAL AT ONCE, AND TO COMMENCE PAYMENT OF FUTURE INSTALLMENTS AS THEY COME DUE, ACCORDING TO PAYMENT SCHEDULES PROVIDED IN LOAN AGREEMENTS. YOU MAY POINT OUT TO SARG THAT ACTUAL UTILIZATIONS OF THOSE AMOUNTS BY USG WILL REFLECT PACE OF USG EXPENDITURES FOR ITS OPERATING COSTS IN SYRIA AND HENCE WILL BE SPREAD OVER SEVERAL YEARS. YOU WILL, HOWEVER, HAVE TO POINT OUT TO SARG THAT 2 PER CENT OF AMOUNT DUE UNDER LOAN 276-G-006, PER PARAGRAPH 7 OF LOAN AGREEMENT, MUST BE CONVERTED INTO OTHER CURRENCIES FOR U.S. AGRICULTURAL MARKET DEVELOPMENT PURPOSES. IN RELAYING THESE POSITIONS, YOU SHOULD POINT OUT TO SYRIANS THAT ADMINISTRATION HAS BEEN AND CONTINUES TO BE UNDER EXTREME PRESSURE FROM CONGRESS ON DEBT ARREARAGES (ONE RECENT EXAMPLE IS WOLFE AMENDMENT TO AID BILL WHICH SOMEWHAT LIMITS OUR FLEXIBILITY ON DEBT RENEGOTIATION); ACCORDINGLY, WE WOULD LIKE TO RESOLVE PROBLEM OF PL-480 BALANCES SOONEST IN ORDER TO FACILITATE NEW USG PROGRAMS FOR SYRIA.

D. WE WILL POUCH COPIES OF ALL PL-480 COMMODITY AGREEMENTS AND LOCAL CURRENCY LOAN AGREEMENTS, BUT EMBASSY SHOULD START NEGOTIATIONS WITHOUT WAITING, SINCE WE WANT TO HAVE AS MUCH PROGRESS AS POSSIBLE ON CLAIMS BEFORE SIGNING PROPOSED NEW PL-480 AGREEMENT.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 STATE 235236

4. USG DAMAGE CLAIMS: USG STILL HAS CLAIMS AGAINST SYRIA FOR DESTRUCTION OF ALEPPO CONSULATE AND RESIDENCE IN 1967. DEPARTMENT IS RESEARCHING THIS CLAIM IN ORDER TO DETERMINE AMOUNT INVOLVED FOR RESTORATION OF PROPERTY AND COMPENSATION FOR CONTENTS, AND WOULD APPRECIATE ANY INFORMATION EMBASSY CAN PROVIDE.

A. NEGOTIATING POSITION: YOU SHOULD INFORM SARG THAT USG INTENDS PRESENT CLAIM TO SARG AS SOON AS WE HAVE ALL THE DETAILS.

5. PRIVATE CLAIMS: KNOWN PRIVATE AMERICAN CLAIMS AGAINST SARG EXIST BUT UNCLEAR WHETHER ANY PRIVATE CLAIMANTS WISH PRESENT CLAIMS AT PRESENT. IN VIEW KNOWN POTENTIAL CLAIMS,

AND STRICTURES OF SECTIONS 620(C) AND 620(E)(1) OF FOREIGN ASSISTANCE ACT (LATTER IS HICKENLOOPER AMENDMENT), BELIEVE WE SHOULD HAVE SARG AGREEMENT TO NEGOTIATE PRIVATE CLAIMS OF U.S. NATIONALS AND TO PAY COMPENSATION FOR VALID CLAIMS WHICH MAY BE PRESENTED. AS SOON AS YOU HAVE DISCUSSED THIS INITIALLY WITH SARG, DEPARTMENT PROPOSES PUBLISH IN THE FEDERAL REGISTER NOTICE FOR U.S. NATIONALS WHO HAVE CLAIMS AGAINST SARG TO FILE THEM WITH USG. PRESS RELEASE WILL BE ISSUED ON SAME SUBJECT AND REPRODUCED IN STATE DEPARTMENT BULLETIN. COPIES WILL BE TRANSMITTED TO EMBASSY. PLEASE ASCERTAIN AND ADVISE WHETHER SARG HAS PROBLEM WITH PROPOSED PUBLICATION OF NOTICE.

A. NEGOTIATING POSITION: EMBASSY SHOULD REQUEST SARG TO AGREE TO ESTABLISH JOINT U.S.-SYRIAN CLAIMS COMMITTEE TO DISCUSS COMPENSATION OF U.S. NATIONALS FOR THEIR PROPERTY IN SYRIA, WITH A VIEW TO REACHING AN APPROPRIATE SETTLEMENT ON A CASE-BY-CASE BASIS AS HAS BEEN DONE WITH EGYPT, OR TO NEGOTIATE THESE CLAIMS IN ANY FRAMEWORK SARG DESIRES. ALL WE SEEK INITIALLY IS EXPRESSION OF WILLINGNESS BY SARG TO COMMENCE NEGOTIATIONS ON PRIVATE CLAIMS AT SOME APPROPRIATE DATE IN THE NEAR FUTURE, AND TO SETTLE VALID CLAIMS.

6. DELINQUENT AID DOLLAR LOAN: THIS IS EXPENDITURE INCURRED UNDER GRAIN STORAGE LOAN FOR ENGINEERING STUDIES LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 05 STATE 235236

BEFORE PROJECT WAS UNILATERALLY CANCELLED BY USG IN FEBRUARY 1967. SYRIANS MAY BE RELUCTANT TO PAY BECAUSE OF CANCELLATION. DELINQUENT PRINCIPAL AND INTEREST TOTALS

DOLS 31,654,96 AS OF AUGUST 31, 1974, AND THERE IS A FURTHER BALANCE OF DOLS 420,000 PRINCIPAL WHICH IS PAYABLE OVER NEXT 30 YEARS AT PACE OF DOLS 14,000 PER YEAR PLUS INTEREST AT 0.75 ON UNPAID BALANCE.

A. NEGOTIATING POSITION: YOU SHOULD TELL SARG THAT WE WANT TO REACH A MUTUALLY SATISFACTORY SETTLEMENT OF THIS LOAN. NOTWITHSTANDING FACT PROJECT UNILATERALLY CANCELLED BY USG, PAYMENT IS REQUIRED BY US LAW IF WE ARE TO RESUME ASSISTANCE UNDER FOREIGN ASSISTANCE ACT. (YOU COULD MENTION THAT EGYPT RECENTLY MADE VERY SUBSTANTIAL CASH PAYMENT TO CLEAR UP ARREARAGES ON FAA LOANS.) YOU MAY POINT OUT TO SYRIANS THAT AMOUNT THEY STAND TO GAIN IN PROSPECTIVE US AID BY FAR OUTWEIGHS THIS SMALL PAYMENT. ALSO, SMALL AMOUNT INVOLVED IS SPREAD OVER SUCH A LONG PERIOD (30 YEARS) THAT IT WILL CONSTITUTE NO BURDEN FOR SARG. AID ASST. ADMINISTRATOR NOOTER WILL BE READY BEGIN EXPLORATORY DISCUSSIONS ON POSSIBLE ARRANGEMENTS FOR SET-

TLEMENT DURING HIS VISIT AT BEGINNING NOVEMBER.

7. IN PRESENTING YOUR PROPOSAL TO BEGIN NEGOTIATIONS, YOU WILL WANT TO BE GUIDED BY TWO POINTS: FIRST IS IMPORTANCE, AS MENTIONED ABOVE, OF A GOOD-FAITH EFFORT TO MAKE AS MUCH PROGRESS AS POSSIBLE BEFORE SIGNING OF PL-480 AGREEMENT. SECOND IS IMPORTANCE OF NOT AROUSING SYRIAN FEELING THAT WE ARE INJECTING SELF-SERVING ELEMENT INTO SITUATION WITHOUT MAKING POSITIVE CONTRIBUTION OURSELVES. OUR FEELING IS THAT NOOTER VISIT AND BEGINNING OF PL-480 NEGOTIATIONS PROVIDE POSITIVE CONTEXT WITHIN WHICH TO BEGIN THESE NEGOTIATIONS. WE RELY ON YOU, HOWEVER, TO PRESENT THIS SUBJECT AS YOU HAVE IN THE PAST IN THE CONTEXT OF MUTUALLY DESIRED EFFORT TO MOVE BILATERAL RELATIONSHIP FORWARD IN CONCRETE WAYS ON ALL FRONTS. INGERSOLL

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NEGOTIATIONS, DEBT REPAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 25 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: shawdg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE235236
Document Source: CORE
Document Unique ID: 00
Drafter: PKBULLEN:GCB
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740304-0884
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741015/aaaaamjw.tel
Line Count: 238
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 219000
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 23 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 AUG 2002 by cunninfx>; APPROVED <06 MAR 2003 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EGOTIATING CLAIMS AGAINST SYRIA
TAGS: EFIN, SY, US
To: DAMASCUS BEIRUT
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005